CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

September 30, 2002

H.R. 1646

Foreign Relations Authorization Act, Fiscal Year 2003

As cleared by the Congress on September 26, 2003

SUMMARY

The act would authorize appropriations for the Department of State and related agencies for 2003. CBO estimates that the legislation would increase direct spending by $415 million and revenues by $10 million over the 2003-2012 period.

ESTIMATED EFFECTS ON DIRECT SPENDING AND REVENUES

CBO's estimate of the impact of H.R. 1646 on direct spending (including proceeds from asset sales) and revenues is shown in Table 1. If the act is signed into law before October 1, 2002, the estimated changes through fiscal year 2006 are counted for pay-as-you-go purposes. If H.R. 1646 is enacted after September 30, 2002, however, pay-as-you-go procedures would not apply since section 252 of the Balanced Budget and Emergency Deficit Control Act—the section that details enforcement of pay-as-you-go procedures—only applies to legislation enacted prior to October 1, 2002. The costs of this legislation fall within budget functions 150 (international affairs), 600 (income security), 750 (administration of justice), and 800 (general government).

TABLE 1. ESTIMATED IMPACT OF H.R. 1646 ON DIRECT SPENDING AND REVENUES

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	265	15	15	16	16	16	17	18	18	19
Changes in receipts	0	1	1	1	1	1	1	1	1	1	1

BASIS OF ESTIMATE

CBO estimates that the legislation would increase direct spending by $415 million and revenues by $10 million over the 2003-2012 period, including receipts from asset sales totaling an estimated $2 million (see Table 2).

Payment of United Nations Arrears

Section 401 would amend current law to permit the release of arrearage payments to the United Nations. CBO estimates that, under the bill, the State Department would release $244 million in 2003 that cannot be released under current law. In 2000, Public Law 106-113 appropriated $244 million for arrearage payments, but under current law those funds cannot be disbursed until the United Nations and specialized agencies have instituted certain budget and personnel practices. The act would ease these conditions by allowing funds to be disbursed as each agency meets the conditions. Because this provision would affect outlays from funds already appropriated and would not depend on future appropriation action, the additional outlays are considered direct spending for scorekeeping purposes.

TABLE 2. ESTIMATED DIRECT SPENDING UNDER H.R. 1646

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Payment of United Nations Arrears	0	244	0	0	0	0	0	0	0	0	0
Consular Fees	0	14	14	14	14	14	14	14	14	14	14
Payment of Anti-Terrorism Judgments	0	8	0	0	0	0	0	0	0	0	0
Virtual Locality Pay for Foreign Service Personnel	0	a	a	a	1	1	1	2	3	3	4
Authority to Transfer Naval Vessels	0	-2	0	0	0	0	0	0	0	0	0
Other Provisions	0	1	1	1	1	1	1	1	1	1	1
Total Changes	0	265	15	15	16	16	16	17	18	18	19

a. Less than $500,000.

Consular Fees

Section 211 would amend current law pertaining to fees for international adoptions and affidavits of support (which are required documents in certain immigration cases). Under current law, the spending of these fees is subject to appropriation. By removing this restriction, the bill would raise direct spending by $14 million a year, CBO estimates.

Payment of Anti-Terrorism Judgements

Section 686 would add two cases to the list of cases eligible to receive payment of judgments under Public Law 106-386, the Victims of Trafficking and Violence Protection Act of 2000 (Victims Protection Act). In 2000, the Congress passed the Victims Protection Act which directed the Secretary of the Treasury to pay the plaintiffs in 10 specified cases against Iran an amount equal to the compensatory damages awarded to them by the courts. To pay the judgments, the act appropriated $400 million and authorized the liquidation of an escrow account holding $6 million in rental income from Iranian diplomatic properties. The Secretary of the Treasury has paid nine of the 10 original judgments allowed under Public Law 106-386. After paying the last judgment, CBO estimates that the appropriation will have an unobligated balance of $22 million. One of the cases specified in this section has been awarded a judgment, the other is still being adjudicated. CBO estimates the compensatory damages awarded in the two cases will total $8 million and would be paid in 2003 under the act.

Virtual Locality Pay for Foreign Service Personnel

Section 322 would change the computation of retirement benefits for members of the Foreign Service who have served in overseas stations. For the purposes of calculating retirement benefits, salary and wages for service provided outside the United States would be treated as if the worker's salary and wages were subject to locality-based pay adjustments for Washington, D.C., during that time. In addition, the percentage of pay that both employees and the agency make into the Foreign Service Retirement and Disability Fund (FSRDF) would be increased. CBO estimates that about 150 new retirees each year would be affected by this provision, and payments made by employees into the fund would increase by $1 million a year between 2003 and 2012. Those payments are recorded in the budget as revenues.

Finally, CBO projects that retirement benefits paid from the FSRDF would increase by less than $500,000 a year over the 2003-2005 period and by a total of $15 million over the 2003-2012 period. Such payments from the fund constitute direct spending.

Authority to Transfer Naval Vessels

Section 1701 would authorize the transfer of 14 naval vessels: seven by grant and seven by sale. Except for the authority to sell one of the vessels, this section repeats authority in existing law. Based on information from the Navy, CBO estimates the proceeds from the additional sale would increase offsetting receipts by $2 million in 2003.

Other Provisions

Several provisions in the act would have little or no effect on direct spending or revenues, but CBO estimates that collectively, these provisions would increase direct spending by about $1 million a year.

Reimbursements for Emergency Overseas Evacuation. Section 201 would allow the State Department to seek reimbursements for the emergency evacuation of employees of the U.S. government, their dependents, private U.S. citizens, and foreign nationals. According to the department, this section of the bill codifies existing practice and would have no impact on the budget.

Reimbursements for International Litigation Fund. Section 203 would allow the State Department to retain, as reimbursement for preparing or prosecuting a claim against a foreign government or entity, a portion of awards received. Based on information from the department, CBO estimates that it would collect and spend less than $1 million a year.

International Chancery Center. Section 207 would allow the International Center to invest funds in interest-bearing public debt securities. Based on information from the Department of State, CBO estimates the center would collect and spend less than $500,000 a year.

International Boundary and Water Commission. Section 210 would allow the International Boundary and Water Commission to receive and spend funds from the North American Development Bank for its ongoing activities on the land and water boundary between the United States and Mexico. The provision would thus have no net budgetary impact.

Foreign National Retirement Plans. Section 313 would amend section 3968 of the Foreign Service Act of 1980 (Public Law 96-465), which provides for the compensation and benefits of foreign nationals who work for the United States abroad. Under the Foreign Service Act, the Department of State is authorized to set aside funds on the behalf of employees for the purpose of paying them a lump-sum payment once they retire or terminate employment. Although such deposits are not being made at the present time, current law allows the State Department to retain a private financial institution for the purpose of holding and investing those funds. The act would give the State Department the option of depositing these monies into a fund established by the U.S. Treasury Department. The funds would be the property of the federal government regardless of where they are held. Thus, CBO estimates that this provision would have no budgetary impact.

Reimbursements for Training Services. Section 318 would permanently extend a pilot program to provide training and related services on a reimbursable basis. Based on information from the Department of State, CBO estimates the department would collect and spend less than $500,000 a year.

Retirement Credit for Overseas Service. Section 321 would provide federal retirement credit to individuals who served abroad between December 31, 1988, and May 24, 1998, in temporary assignments where credit was not originally awarded under the Foreign Service retirement system or the retirement system for other federal workers. This provision would allow these employees to have any such service credited to the Federal Employee Retirement System (FERS). Workers who choose to have this service credited to FERS must make a payment into the Civil Service Retirement and Disability Fund (CSRDF) equal to the amount the worker would have paid into the fund (plus interest) if the service had originally been credited under FERS. According to the State Department, about 300 individuals would take service credits under this provision. CBO estimates that all employee payments into the CSRDF would increase revenues by less than $500,000 a year. The increase in mandatory benefit payments from the CSRDF to these individuals would also be less than $500,000 a year.

Export Controls. Section1404 would raise governmental receipts (revenues) by increasing the civil and criminal penalties that could be assessed against exporters who fail to submit accurate information to the Department of Commerce. Based on information from that department, CBO estimates that the increase in revenues would not be significant in any year. Collections of criminal fines are deposited in the Crime Victims Fund and are spent in subsequent years. Therefore, CBO estimates that direct spending from the Crime Victims Fund also would increase by an insignificant amount.

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